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In a roller-coaster day of hopes raised and hopes dashed, efforts to negotiate a compromise on the \$700-billion plan for rescuing the nation's financial system bogged down Thursday, with conservative Republicans denouncing the strategy as ill-conceived and Democrats accusing GOP presidential candidate John McCain of encouraging the revolt.

What remained unclear was whether Thursday's breakdown marked the beginning of the end for the rescue effort, or merely a tumultuous interlude on the way to approving a federal bailout that many in Congress consider unpalatable but unavoidable.

There were signs that, behind the scenes, skeptical Democrats and Republicans were beginning to move toward a compromise version of Treasury Secretary Henry M. Paulson's original plan, but it remained to be seen whether there would be enough votes to pass legislation.

"I'm seeing both Republicans and Democrats start to move toward voting for it," Rep. John Campbell (R-Irvine) said. "I can't tell you that there's a majority at this point, but there's movement."

The working proposal contained most of the features that critics of the administration's original plan had been demanding: limits on compensation for executives of companies that take part in the bailout, a provision for taxpayers to share in any profits from the sale of distressed assets, and payout of the \$700 billion in three stages instead of one. The final \$350-billion tranche would require a congressional vote.

Republicans, meanwhile, denied that McCain had put obstacles in the way of a deal.

"Focus on a deal that's real," said Sen. Lindsey Graham (R-S.C.), a close McCain ally. "Don't focus on a phony deal and blame John McCain."

Late Thursday, Democrats and Republicans from both houses of Congress, joined by Paulson, returned to the bargaining table in another unsuccessful attempt to craft a proposal that could command majority support. Democratic leaders said they would resume Friday morning without Paulson, but they contended that no deal was possible without at least some House Republican support.

In an assessment echoed by many of his colleagues in both parties, Rep. Howard P. "Buck" McKeon (R-Santa Clarita), an early skeptic who is now convinced that Congress must act, said, "We've got 40 days until an election. You've got a lot of nervous people here. Some of them are totally consumed by the policy. More of them are totally consumed by the politics."

With financial markets continuing to remain calm, members of Congress in both parties apparently concluded that there was still time. Some suggested that the new deadline was sometime Sunday, before Asian financial markets opened.

"Whatever is going to be done has to be done this weekend," said Rep. Lee Terry (R-Neb.), who supports congressional action. "Allowing it to go beyond Sunday into Monday will devastate the markets."

With issues as complex and politically explosive as the Wall Street bailout, it is not unusual for Congress to delay action until the last minute. Many members said more time was needed for constituents to understand the rescue plan and get beyond their anger at using tax dollars to bail out financiers who helped bring on the crisis.

Some Democrats accused McCain of getting behind a plan put forward Thursday by conservative House members. "John McCain did not attack any proposal or endorse any plan," said his spokesman, Brian Rogers.

In an interview with ABC News, McCain said he was hopeful that a compromise could be struck. Pointing to the opposition among House Republicans, he said, "There never was a deal," contradicting what leading congressional negotiators had said earlier in the day.

Rep. Mike Pence (R-Ind.), however, said McCain's involvement in negotiations gave fiscal conservatives hope that any eventual compromise would be more to their liking.

"Knowing John McCain to be the fiscal conservative he is makes many conservatives breathe a lot easier to know he's at the negotiating table," Pence said. "The core of the president's proposal is unacceptable."

McCain met with House conservatives before a White House session Thursday attended by congressional leaders of both parties, McCain and Democratic presidential challenger Barack Obama.

Obama, who earlier in the week had voiced concerns that the presidential hopefuls would be a distraction to the negotiations, expressed support for the ongoing negotiations after the White House summit. "My impression from the meeting today is that the president and the secretary of the Treasury . . . still have some work to do" in getting House Republicans to agree to the proposed bailout.

The seesaw series of events began late Thursday morning, when key congressional negotiators from both parties announced the outlines of a compromise. "We've reached a fundamental agreement on a set of principles," said a triumphant Sen. Christopher J. Dodd (D-Conn.). "We're very confident that we can act expeditiously."

But one of the GOP negotiators, Rep. Spencer Bachus of Alabama, later sounded what turned out to be a prophetic note. "There was progress on many issues, but no agreement other than to continue discussions," he said, adding, "As I made clear in the meeting this morning, I was not authorized by my colleagues to make any agreement on behalf of House Republicans."

Almost immediately, House Minority Leader John A. Boehner (R-Ohio) made the GOP position explicit: "House Republicans have not agreed to any plan at this point," he said in a statement.

Instead of facilitating an agreement, President Bush's afternoon summit ended in disappointment. Sen. Richard C. Shelby (R-Ala.), the top Republican on the Senate Banking

Committee, who has said he opposes the administration plan, walked out of the meeting about 40 minutes after it began, saying, "We haven't gotten an agreement. There's still a lot of different opinions."

Shelby said he had told the president that he didn't think there had been enough study of alternatives. "I brought it up in there," Shelby said. "I'm probably not welcome again."

In a dramatic moment described by a Democratic aide, Paulson took several Democrats aside as participants were leaving and asked House Speaker Nancy Pelosi (D-San Francisco) in particular "not to blow this up."

Pelosi retorted angrily that it was House Republicans who were putting the brakes on the plan, according to the aide, who asked not to be named because he was not authorized to discuss the meeting. As the aide described it, Paulson then dropped to one knee and repeated his appeal.

Pelosi again blamed Republicans for holding up a deal.

"I know, I know," Paulson was said to have replied.

Even as the White House meeting was underway, a group of conservative House Republicans began pushing a drastically different approach. Their idea, they said, was to get Wall Street firms to pony up funds for an insurance program to bail out their less-solvent siblings by creating a kind of insurance program for investment banks like the one for commercial banks.

In addition, the present liquidity crisis could be resolved, according to the proposal, by further deregulation, temporary tax breaks and relaxation of other rules to encourage investors to put more money into the financial system instead of using government funds.

"It makes Wall Street pay for its own bailout," Rep. Paul D. Ryan (R-Wis.) said in a news

conference. Ryan and other proponents said the idea had been in the works for days.

Many officials, including members of the Bush administration as well as independent economists, have said that excessive deregulation and inadequate government supervision played a substantial role in creating the current crisis. It was not immediately clear how financial firms burdened with billions of dollars in toxic mortgage-backed securities could finance what appeared to be a retroactive insurance program.

Rep. Barney Frank (D-Mass.), chairman of the House Financial Services Committee and a lead negotiator with Treasury Department since the bailout plan was first proposed, said the insurance idea was an eleventh-hour "campaign ploy" designed to give McCain more exposure during the crisis negotiations.

At a Democratic news conference, Frank said Paulson had already deemed the insurance-based approach unworkable.

"Rather than help us negotiate differences, [McCain has] identified with a radically different approach that the secretary of the Treasury has already rejected," Frank charged.

He noted that House Republicans did not bring up their alternative plan when Paulson was testifying before the House on Wednesday. "This notion of an insurance approach was never surfaced," Frank said. "It's an odd way to behave when you have an alternative proposal."

Frank said the negotiators had reached a substantial consensus with the administration.

"The next thing I know, members of the media are saying to me that House Republicans have a very different plan, supported by Sen. McCain and involving insurance," Frank said. "I go to Secretary Paulson and said, 'Did you know this?' He did not."